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GALAXY RESOURCES LIMITED

ABN 11 071 976 442

**CONSOLIDATED
FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
30 JUNE 2017**

www.galaxylithium.com

GALAXY RESOURCES LIMITED

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Martin Rowley (Independent Non-Executive Chairman)
Mr Anthony Tse (Chief Executive Officer & Managing Director)
Mr Jian-Nan Zhang (Independent Non-Executive Director)
Mr Peter Bacchus (Independent Non-Executive Director)
Mr John Turner (Independent Non-Executive Director)
Ms Xi Xi (Independent Non-Executive Director)

CHIEF FINANCIAL OFFICER

Mr Alan Rule

COMPANY SECRETARY

Mr John Sanders

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

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AUSTRALIAN BUSINESS NUMBER

11 071 976 442

STOCK EXCHANGE LISTING

ASX Code: GXY

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GALAXY RESOURCES LIMITED

DIRECTORS' REPORT

Your directors present their report on the consolidated financial statements of Galaxy Resources Limited ("Company") and the entities it controlled ("Group") during the half-year ended 30 June 2017.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this report except where indicated:

Martin Rowley	
Anthony Tse	
Jian-Nan (George) Zhang	
Mr Peter Bacchus	(appointed 3 January 2017)
Mr John Turner	(appointed 3 January 2017)
Ms Xi Xi	(appointed 15 May 2017)

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

- Production of lithium concentrate; and
- Exploration for minerals in Australia, Canada and Argentina.

OPERATING RESULTS FOR THE PERIOD

The Group's loss after tax for the half-year to 30 June 2017 was \$6,481,000 (30 June 2016: profit \$70,350,000).

DIVIDENDS FOR THE PERIOD

No dividends have been paid by the Company during the half-year ended 30 June 2017, nor have the Directors recommended that any dividends be paid. (2016: none).

REVIEW OF OPERATIONS

Mt Cattlin Operations

Galaxy wholly owns the Mt Cattlin spodumene project, located two kilometres north of the town of Ravensthorpe in Western Australia.

The Mt Cattlin mine operations include open-pit mining of a flat-lying pegmatite ore body. The flat-lying nature of the ore body allows mining to proceed at a reasonably constant strip ratio once the ore is uncovered. Mining is carried out using excavator and truck operations, delivering to a conventional crushing and Dense Media Separation ("DMS") gravity recovery circuit. Contract mining is used for grade control drilling and earthmoving operations (drilling, blasting, load, haul and ancillary work) for the open-cut mining operation.

The crushing plant consists of a 3-stage crushing circuit producing a -6mm product from ROM ore at a treatment rate of 1.6 million tonnes per annum. The crushing plant provides feed to a fine ore bin and this fine ore bin feeds the concentrator on a continuous 24 hour per day basis.

The concentrator consists of reflux classifier, dual size steam, two stages of DMS cyclones, with mechanical attritioning of the intermediate sink product. The final spodumene concentrate is stacked on a pad adjacent to the plant area, drained and prepared for trucking to the Esperance port.

Operations at Mt Cattlin remain Lost Time Incident ("LTI") free since refurbishment and restart of production.

During the half-year, the Mt Cattlin operations transitioned into commercial production with ramp up and commissioning of the plant completed at the end of April.

GALAXY RESOURCES LIMITED
DIRECTORS' REPORT

Set out below is a summary of the production and sales statistics for the half-year:

	Units	March qtr 2017	June qtr 2017	YTD 2017	June qtr vs March qtr
Waste mined	<i>bcm</i>	143,300	460,850	604,150	222%
Ore mined	<i>bcm</i>	87,922	110,788	198,710	26%
Ore mined	<i>wmt</i>	233,193	303,394	536,587	30%
Grade	%	0.96	1.12	1.05	+0.16
Ore treated	<i>wmt</i>	253,156	334,036	587,192	32%
Ore feed grade	%	1.02	1.15	1.09	+0.13
Spodumene produced	<i>dmt</i>	23,467	32,998	56,465	41%
Spodumene sold	<i>dmt</i>	23,455	30,135	53,590	28%
Spodumene grade sold	%	5.38	5.77	5.60	+0.39
Moisture	%	1.80	2.12	1.98	+0.32
Mica content	%	1.88	1.96	1.93	+0.08

Mining operations achieved full production levels during the half year, with total material movement of 802,860 bank cubic metres ("**bcm**") of waste and ore, including 536,587 wet metric tonnes ("**wmt**") of ore at an average grade of 1.05% Li₂O. Mining volumes increased by 147% from the March quarter mainly due to a 222% increase in waste mining volumes. Mining activities were concentrated on the northern and western sides of the pit, and run of mine ore stocks were as planned at the end of the quarter.

Spodumene production for the half-year was 56,465 dry metric tonnes ("**dmt**").

The efficiency of the Mt Cattlin plant has continued to improve with concentrate production for the last 2 months of the half-year averaging 436 dmt per day, equivalent to production of approximately 160,000 tonnes per annum ("**tpa**"). The annualised rate of concentrate production in June was approximately 170,000 tpa.

The performance of the redesigned Mt Cattlin plant has now reached steady state operations with an average recovery of 61% achieved in June, well above the budgeted target of 50-55%. This was due to higher head grade and improved specific gravity ("**SG**") control, as well as improved stability in the DMS circuit.

There were four shipments of lithium concentrate during the half-year totaling 53,590 dmt, with the last 3 shipments at product grade and specifications well above contract requirements and with moisture and mica content levels well below contract requirements. Product sales achieved an average realised sales price (before royalties and marketing fees) of US\$645 (A\$856) per dmt of spodumene for the half-year.

With the shipment in April, Mt Cattlin completed repayment in full of all prepayments advanced by customers.

Galaxy has completed its 2016 contract off take supply obligations priced at US\$600 per tonne. All shipments are now based on 2017 pricing terms of US\$830 per tonne for 5.5% grade lithium concentrate, rising to US\$905 per tonne for 6.0% grade product.

A technical and financial evaluation has commenced for the construction of an ultra fines DMS circuit, a secondary float re-crush circuit and a final product optical sorter that will target further increasing recoveries to between 70-75%. If implemented, construction would occur in Q1 2018.

Work continues to progress on establishing medium and long term water supply sources.

The average production cash costs (excluding royalties and marketing fees) for the half-year were US\$391 (A\$515) per dmt of spodumene produced. The production cash costs (excluding royalties and marketing fees) for the month of June was US\$334 (A\$442) per dmt of spodumene produced. It is anticipated that unit production cash costs will continue to reduce as the operation achieves further efficiencies and full production rates are maintained.

Sal De Vida

The Sal de Vida (Salt of Life) deposit is one of the world's largest and highest quality undeveloped lithium brine deposits with significant expansion potential. The JORC-compliant ore reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent and 4.2 million tonnes of potassium chloride (potash or KCl) equivalent supports total annual production over a 40 year period.

The Sal de Vida Project is located in north-west Argentina in what is known as the 'Lithium Triangle', home to more than 60 per cent of the world's annual production of lithium from brines in the Salar de Atacama and the Salar del Hombre Muerto. The Salar lies approximately 1,400 kilometres north-west of Buenos Aires at an altitude of 4,025 metres. The property is accessible from the city of Salta via an all-seasons road, and there is a major powerline 115 kilometres away.

The development of Sal de Vida, when completed, will include evaporation ponds, a battery grade lithium carbonate plant and a potash plant.

In 2016, Galaxy engaged Techint, one of the largest engineering and construction firms in Argentina to assist in the formal review on the economics for the Definitive Feasibility Study ("DFS") of the Sal de Vida Project. The revision to the DFS reaffirmed the strong potential for a low cost and long life operation. The revised DFS estimated a post-tax net present value ("NPV") of US\$1.416 billion at an 8% discount rate. Sal de Vida has the potential to generate average annual revenues of US\$354 million and average operating cash flow of US\$273 million. Average operating costs have been estimated at US\$3,369 per tonne before potash credits and US\$2,959 per tonne after potash credits to produce battery grade lithium carbonate. The revised total capital cost was estimated at US\$376 million. The capital costs that related to the potash plant and related infrastructure were approximately US\$34 million, with operating cost credit of approximately US\$410 per tonne of lithium carbonate produced. The revised DFS provided for the option of deferring the capital commitment on building the potash circuit subject to potash price market conditions at the time.

The following key milestones were achieved during the half year:

- Granted an extension of its Environmental Permit by the Mining Secretary of Catamarca. The renewal of this permit will allow the project to move towards the definitive test work phase, all the way through completion of construction to commissioning.
- In February, the Company confirmed appointments to the Development team, bringing on board industry professionals with a combined 200 years of experience with the leading global lithium producers SQM, FMC and Rockwood. This team of highly credentialed industry specialists have the expertise and proven track record of developing lithium brine projects over the past couple of decades, and cover all the major technical disciplines required for the project including processing and chemical plant operations, engineering and construction, as well as hydro-geology.
- Commenced development work for the initial production wells and planned 45 hectares of evaporation ponds, both of which will be utilised as part of the future full scale production operations. Upon completion of the topographic survey, the evaporation ponds location will be finalised. Commencing in the December quarter, the newly constructed evaporation ponds will be initially used to perform testing and optimisation work, particularly around pond liner selection. To facilitate the overall increased level of activity at the project, an existing camp facility in the area was acquired and will be refurbished to accommodate up to 80 construction and project development staff.
- Field drilling of the initial two production wells was completed. Following the completion of the first drill hole for a planned production well in early April, a second drill hole, located on SDV property in the northern basin of the lithium-rich Salar del Hombre Muerto, was completed to a depth of 300 metres. The Salar del Hombre Muerto is one of the world's leading lithium deposits and is the same location where FMC Lithium has been operating for the past twenty years.
- Pump tests on the first completed production bore (announced in April 2017) yielded encouraging results, with continuous brine flow rates of more than 25 litres per second being achieved. These results exceed the values that were assumed in the DFS as the required minimum flow rate for each well in the production phase of the project.
- The refurbishment and upgrading of the test plant for the treatment of concentrated brine was completed. New power generation facilities have also been ordered which, in the future, will facilitate continuous 24-hour test-scale production.
- Design and planning activities relating to the establishment of a temporary construction camp have been completed. The camp will incorporate numerous renewable energy systems to power and heat the facilities at its remote location in the Puna. Final approvals from relevant regulatory departments are expected shortly, and the refurbishment and establishment of the camp is expected to be undertaken in the third quarter of 2017.

Galaxy's local Argentine subsidiary has established a presence in San Fernando, the capital city of Catamarca Province and will be using this local office as a base to coordinate recruitment and other human resource initiatives in the regional community. Members of the local team were also actively engaged in field visits to surrounding communities and key stakeholders, such as that at Cienaga Redonda, which is adjacent to the planned project development site location.

In line with a long-standing commitment to the local communities, Galaxy has engaged with numerous local service providers, and the Catamarca government, to discuss and identify training opportunities for specific job vacancies that Galaxy plans to fill during the remainder of the year. Galaxy has taken proactive steps to develop a comprehensive training program for those positions to

be filled once construction and operational activities commence. Training opportunities will be available for roles at the Sal de Vida Project, including laboratory technicians and various heavy equipment operators

The Company has recently progressed its discussions with potential joint venture partners on the project to a more definitive stage, and currently has ongoing dialogue with a number of potential strategic partners and customers, for financing and offtake.

James Bay

The James Bay lithium pegmatite project in Quebec, Canada contains an ore resource stands at 11.75Mt @ 1.30% Li₂O (Indicated) and 10.47Mt @ 1.20% Li₂O (Inferred), and has been limited to an open-pit vertical depth of less than 100 metres. The Project is located in northwest Quebec, two kilometres south of the Eastmain River and 100 kilometres east of James Bay.

The Project is readily accessible by paved road as the James Bay Highway bisects the property 384 kilometres from Mattagami where there is an airport and mining infrastructure. The airstrip is only 15 kilometres away. The Relais Routier gas station and truck stop is located one kilometre from the property with helicopter access, fuel, motel and restaurant services.

The James Bay deposit occurs at surface, comprises of several swarms of pegmatite dykes and resource modelling indicates that the resource is amenable to open pit extraction. The topography is gently rolling to flat lying with much of it covered by muskeg. Outcrops are common, usually occurring as mounds or ridges above the surrounding plain. Surface mapping identified 15 different pegmatite swarms, each consisting of up to seven dykes. The individual pegmatite bodies are mainly irregular dykes or lenses attaining up to 60 metres in width and over 100 metres in length. The pegmatite outcrops form a discontinuous band or "corridor" approximately four kilometres long and 300 metres wide, cutting the host rock at a low angle and cross-cutting the regional foliation at a high angle. Spodumene crystals at James Bay are relatively coarse, usually more than 5cm in length and sometimes exceeding one metre.

In March, a ~31,000 metre diamond drilling program was commenced with the aim of extending the existing resource contained in numerous outcropping spodumene-bearing pegmatites at James Bay. The program's objective is a thorough and multi-faceted diamond-drilling campaign which will result in completion of the Feasibility Study ("FS"), which was suspended in 2012. The drilling work is focused on exploring and developing the lithium resource contained in numerous outcropping spodumene-bearing pegmatites and aims to almost triple the aggregate 14,000 metres of depth drilled so far on the project, with drill holes at a deeper depth and closer proximity.

The core-drilling program includes:

- In-fill drilling to substantially upgrade ore resources to reserves;
- Step-out holes to explore pegmatite extensions down-dip; and
- Drilling three to four pegmatites in areas where there are gaps, previously mapped, but never drilled.

The key milestones of the drilling program achieved during the half year were:

- 29,300m of drilling to date has been completed with the entire program is now expected to be completed by the end of August 2017. Both resource infill and resource extension diamond drilling was conducted. The drill program has shown the resource to be open at depths below -100 metres. The existing ore resource was only reported to an average of -110 metres (maximum -200 metres) below surface;
- This drilling has delineated two new large pegmatites in the gap between known pegmatites in the western part of the mineralised zone which bring the total number of dykes in the James Bay pegmatite swarm to 33;
- Full details of these drilling results are set out in ASX announcements dated 27 June 2017, 2 August 2017 and 10 August 2017 however selected drill holes results include:
 - drill holes JBL17-19 (**98.80m at 1.62 %Li₂O**); JBL17-53 (**83.19m at 1.56% Li₂O**) and JBL17-57 (**73.90m at 1.50 % Li₂O**) returning exceptional results; and
 - drill hole JBL17-21 (with drill hole JBL-17-20) returned a cumulative **199.60m** (down hole) of Li₂O mineralisation including a cumulative **21m @ > 2% Li₂O** and extends parts of the resource a further -75m vertically below the current resource.

The drilling at James Bay was undertaken to reinforce the scale of the pegmatite and the significant potential for further growth. James Bay's proximity to local infrastructure, including the accessible road networks, water and power supply are all natural advantages and key to the development of the Project. The Project Team will now focus on concluding the activities required on the resource upgrade campaign, in addition to commencing the work in relation to the Feasibility Study, both for the upstream mine and concentrator plant, as well as the downstream lithium conversion facility

The current ore resource estimate at James Bay dates back to 2010, however the data that has been collected in the current drilling program will allow for an update to these resources and conversion to reserves, with the results to be included in the final FS. The relevant Environmental Studies relating to the FS will be also advanced in parallel. Metallurgical testwork conducted in 2012 used a dense-media separation ("DMS") technique, produced a lithium concentrate with grades of up to 6.53% Li₂O at a 75% lithium recovery rate.

Corporate

Equity raising

In February 2017, Galaxy received commitments to subscribe for A\$61 million worth of ordinary shares via a private placement to domestic and international institutional investors ("**Placement**"). The Placement consisted of the issue of 113 million new fully paid shares at a price of A\$0.54 per share, representing a 9.2% discount to Galaxy's closing price on 29 February 2017, of A\$0.595. The capital raising was significantly oversubscribed, with strong support shown by both existing shareholders and in particular new overseas investors.

The proceeds of the Placement, together with existing funds available to Galaxy, served to strengthen the Company's balance sheet and increase its financial flexibility to progress its development work at the Sal de Vida and James Bay projects, as well as for general corporate purposes.

New debt facility

In February 2017, Galaxy entered into an agreement with BNP Paribas for a new secured debt facility for up to US\$40 million, with the principal purpose of repaying in full the outstanding balance due to OCP Asia and for general corporate requirements.

Key terms were:

- Facility A – US\$10 million Term loan, maturing 31 January 2018
- Facility B – US\$15 million Bridge loan, repayable on or before 30 June 2017
- Facility C – US\$15 million Revolving loan, maturing 31 January 2018 - yearly extensions of 12 months subject to renewal conditions

After the Company completed the equity capital fundraising of A\$61 million only tranches A and C of the BNP Paribas facility were executed, resulting in a total US\$25 million facility. As at 30 June 2017, only US\$10 million has been drawn.

Settlement of legal dispute – Tianqi

During the quarter, Galaxy Lithium Australia Limited (a wholly owned subsidiary of the Company) received US\$2.1 million in full and final settlement of the legal proceedings arising from a dispute concerning the Amended and Restated Share Purchase Agreement originally made on 29 April 2014, amended and restated with effect from 16 January 2015 with Galaxy Lithium Australia Limited, Galaxy Resources Limited, Tianqi HK Co., Limited ("**Tianqi**") and Sichuan Tianqi Lithium Industries, for the sale of Galaxy Lithium Australia Limited's shares in Galaxy Lithium International Limited, the entity which held the Jiangsu Lithium Carbonate plant, to Tianqi. Refer to note 11(a) of the consolidated financial statements for the year ended 31 December 2016 for further details of the dispute that is now settled.

Share Consolidation

At the Company's Annual General Meeting held on 18 May 2017, shareholders approved the consolidation of the issued capital of the Company on the basis of 1 share for every 5 shares held.

New Directors appointed

Mr Peter Bacchus and Mr John Turner were appointed as Independent Non-Executive Directors of the Company with effect from 3 January 2017. Ms Xi Xi was appointed as an Independent Non-Executive Director of the Company with effect from 15 May 2017.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the half-year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- On 2 August 2017 and 10 August 2017, the Company announced further drilling results at James Bay with additional significant mineralisation identified.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the Corporations Act 2001, the directors received the attached independence declaration set out on page 7 and forms part of the directors' report for the half-year ended 30 June 2017.

Signed in accordance with a resolution of the Directors



Anthony Tse
Chief Executive Officer &
Managing Director

Dated at Perth this 29th day of August 2017.

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Auditor's Independence Declaration

As lead auditor for the review of Galaxy Resources Limited for the half-year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Galaxy Resources Limited and the entities it controlled during the period.

A handwritten signature in blue ink, appearing to read 'Nick Henry', with a small flourish at the end.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 August 2017

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GALAXY RESOURCES LIMITED
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Note	30 June 2017 \$'000	30 June 2016 \$'000
Profit and Loss for the period			
Operating sales revenue	2	14,975	-
Cost of sales	2	(13,008)	-
		Gross profit	-
Other income	2	2,416	13
Other expenses	2	(6,002)	(3,327)
Impairment reversal of property, plant and equipment		-	75,691
		(Loss)/Profit before income tax and net finance expenses	72,377
Finance income	2	116	15
Finance expenses	2	(5,481)	(2,042)
		(Loss)/Profit before taxation	70,350
Income tax benefit/(expense)		503	-
		Net (Loss)/Profit after tax for the period	70,350
Net (Loss)/Profit after tax attributable to:			
Owners of Galaxy Resources Limited		(6,481)	70,432
Non-controlling interests		-	(82)
		(6,481)	70,350
Other comprehensive Loss for the period			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences – foreign operations		(2,333)	(3,471)
Revaluation of available for sale financial assets		-	3,236
		Other comprehensive Loss for the period	(235)
		Total comprehensive (Loss)/Income for the period	70,115
Total comprehensive (Loss)/Income for the period attributable to:			
Owners of Galaxy Resources Limited		(8,814)	70,336
Non-controlling interests		-	(221)
		(8,814)	70,115
(Loss)/Earnings per share for (loss)/income from continuing operations attributable to the ordinary equity holders of the company			
Basic (loss)/income per share (cents per share)		(2.27)	5.54
Diluted (loss)/income per share (cents per share)		(2.27)	5.34
(Loss)/Earnings per share for income attributable to the ordinary equity holders of the company			
Basic (loss)/income per share (cents per share)		(2.27)	5.54
Diluted (loss)/income per share (cents per share)		(2.27)	5.34

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

GALAXY RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017

	Note	30 June 2017 \$'000	31 December 2016 \$'000
CURRENT ASSETS			
Cash and cash equivalents		40,362	9,327
Other receivables and prepayments		2,246	2,163
Inventories		12,232	11,457
Total Current Assets		54,840	22,947
NON-CURRENT ASSETS			
Property, plant and equipment	4	337,064	343,468
Exploration and evaluation assets		125,154	123,183
Deferred tax asset		65,189	64,686
Total Non-Current Assets		527,407	531,337
Total Assets		582,247	554,284
CURRENT LIABILITIES			
Trade and other payables		23,579	14,082
Deferred income		-	18,374
Provisions		367	177
Interest bearing liabilities	5	12,663	40,242
Total Current Liabilities		36,609	72,875
NON-CURRENT LIABILITIES			
Trade and other payables		3,041	-
Provisions		8,288	8,423
Total Non-Current Liabilities		11,329	8,423
Total Liabilities		47,938	81,298
Net Assets		534,309	472,986
EQUITY			
Contributed equity	6a	768,450	694,332
Reserves		(3,111)	4,169
Accumulated Losses		(231,030)	(225,515)
Total Equity		534,309	472,986

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

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GALAXY RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 30 JUNE 2017

Note	Contributed Equity \$'000 <i>6(a)</i>	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 1 January 2016	459,218	(6,632)	(353,964)	98,622	4,179	102,801
Profit for the period	-	-	70,432	70,432	(82)	70,350
Other comprehensive loss for the period	-	(96)	-	(96)	(139)	(235)
Total comprehensive income (loss)	-	(96)	70,434	70,336	(221)	70,115
Options exercised	960	-	-	960	-	960
Transfer of reserve upon exercise of options	402	(402)	-	-	-	-
Transfer of reserve upon forfeit of options	-	(2,304)	2,304	-	-	-
Share transaction costs	(11)	-	-	(11)	-	(11)
Acquisition of non- controlling interest	-	3,958	-	3,958	(3,958)	-
Balance at 30 June 2016	460,569	(5,476)	(281,228)	173,865	-	173,865
Balance at 1 January 2017	694,332	4,169	(225,515)	472,986	-	472,986
Loss for the period	-	-	(6,481)	(6,481)	-	(6,481)
Other comprehensive loss for the period	-	(2,333)	-	(2,333)	-	(2,333)
Total comprehensive loss	-	(2,333)	(6,481)	(8,814)	-	(8,814)
Placement	61,020	-	-	61,020	-	61,020
Options exercised	8,590	-	-	8,590	-	8,590
Transfer of reserve upon exercise of options	4,475	(4,475)	-	-	-	-
Transfer of reserve upon forfeit of options	-	(966)	966	-	-	-
Share-based payments	2,573	494	-	3,067	-	3,067
Share transaction costs	(2,540)	-	-	(2,540)	-	(2,540)
Balance at 30 June 2017	768,450	(3,111)	(231,030)	534,309	-	534,309

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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GALAXY RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	30 June 2017 \$'000	30 June 2016 \$'000
Operating activities		
Receipts from customers	14,141	6,182
Payments to suppliers, contractors and employees	(6,504)	(2,761)
Net cash inflow from operating activities	7,637	3,421
Investing activities		
Interest received	115	15
Sales proceeds from pre-production	12,849	-
Payments for property, plant and equipment	(22,827)	(31)
Proceeds from sale of other non-current assets	2,416	-
Proceeds from sale of available-for-sale assets	-	27
Payments for exploration and evaluation assets	(3,122)	(600)
Net cash (outflow) from investing activities	(10,569)	(589)
Financing activities		
Net proceeds from issue of shares	67,029	960
Bank charges and interest paid	(1,065)	(1,614)
Proceeds from borrowings	13,083	6,200
Repayments of borrowings	(44,698)	-
Net cash inflow from financing activities	34,349	5,546
Net increase in cash and cash equivalents	31,417	8,378
Cash and cash equivalents at the beginning of the period	9,327	4,761
Effect of foreign exchange rate changes	(382)	(355)
Cash and cash equivalents at the end of the period	40,362	12,784

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

1. SIGNIFICANT ACCOUNTING POLICIES

Galaxy Resources Limited ("**Company**") is a company domiciled in Australia. The consolidated financial statements of the Company for the half-year ended 30 June 2017 comprise the Company and the entities it controlled ("**Group**"). The Group is primarily involved in mineral exploration and processing.

a) Statement of compliance

These general purpose consolidated half-year financial statements have been prepared in accordance with AASB 134: *Interim Financial Reporting*, and the *Corporations Act 2001*.

The consolidated financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group for the year ended 31 December 2016 and any public announcements made by the Company during the half-year ended 30 June 2017 in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the *ASX Listing Rules*.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements.

The financial statements were authorised for issue by the Board of Directors on 29 August 2017.

All amounts in the financial statements have been rounded to the nearest thousand dollars, except as indicated, in accordance with the "*ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*", issued by the Australian Securities and Investment Commission.

b) Accounting policies

Except as set out in c) below, the accounting policies applied by the Group in the consolidated financial statements for the half-year ended 30 June 2017 are the same as those applied by the Group in its consolidated financial report as at and for the year ended 31 December 2016 and the corresponding interim reporting period and have been consistently applied unless otherwise stated.

New amended and revised standards that are mandatory for 30 June 2017 interim periods have been applied in these consolidated financial statements and did not have a significant impact on the reported results or financial position.

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been applied in these financial statements.

c) Cost of Sales

Cost of goods sold is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and depreciation and amortisation, allocated on the basis of ore tonnes mined. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average cost per tonne for the product sold.

Inventory movement represents the movement in statement of financial position inventory of finished goods, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

GALAXY RESOURCES LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 30 JUNE 2017

2. REVENUE AND EXPENSES

	<i>Note</i>	30 June 2017 \$'000	30 June 2016 \$'000
Operating sales revenue			
Sale of Spodumene concentrate (a)		14,974	-
Other revenue		1	-
		14,975	-
Cost of Sales			
Mining costs		(1,782)	-
Processing costs		(3,092)	-
Transport costs		(815)	-
Administration and other site costs		(531)	-
Royalties		(925)	-
Agent fees		(745)	-
Depreciation and amortisation		(3,482)	-
Net inventory movement		(1,636)	-
		(13,008)	-
Other income			
Settlement of legal action following sale of discontinued operations		2,416	-
Other income		-	13
		2,416	13
Other expenses			
Administration expenses		(5,856)	(3,189)
Depreciation		(70)	(46)
Net foreign exchange loss		(76)	(59)
Other expenses		-	(33)
		(6,002)	(3,327)
Finance income			
Interest income		116	15
		116	15
Finance expenses			
Interest expense on borrowings		(878)	(1,537)
Amortisation of capitalised finance costs		(4,603)	(466)
Other		-	(39)
	3	(5,481)	(2,042)

(a) The transition date from pre-production to commercial production at Mt Cattlin was 1 May 2017. Accordingly, for the purposes of preparing the half-year financial reports the net outcome is that:

- all sales proceeds from the sale of 40,052 dmt of spodumene (totalling \$30.9 million before repayment of customer prepayments of \$18.5 million) less pre-production cash and non-cash costs (totalling \$32.6 million) resulted in a net \$1.7 million cost, associated with lithium spodumene produced prior to 1 May 2017, that has been added to the carrying value of the property, plant and equipment as pre-production expenditure and has therefore not been recognised in the Profit & Loss; and
- only lithium spodumene produced and sold after 1 May 2017 totalling 13,539 dmt has been recognised as revenue in the Profit & Loss.

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GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

3. SEGMENT INFORMATION

a) Description of segments

During the period the Group has managed its businesses by geographic location, which resulted in four operating and reportable segments which consist of its Corporate, Australian, Argentinian and Canadian operations as set out below. This is consistent with the way in which information is reported internally to the Group's Managing Director for the purposes of resource allocation and performance assessment.

- The Australian operation includes the development and operation of the Mt Cattlin spodumene mine and exploration for minerals.
- The Argentinian operation includes the development of the Sal de Vida project and exploration for minerals.
- The Canadian operation includes the development of the James Bay project and exploration for minerals.

For the purposes of resource allocation and performance assessment, the Group's Managing Director monitors the results and assets attributable to each reportable segment on the following basis:

- Segment results are profit and loss before taxation which is measured by allocating revenue and expenses to the reportable segments according to the geographic location in which they arose or relate to.
- Segment assets include property, plant and equipment and exploration and evaluation assets. The geographical location of the segment assets is based on the physical location of the assets.

b) Reportable segments

	Corporate		Australia		Argentina		Canada		Total	
	30 June 2017 \$'000	30 June 2016 \$'000								
Operating sales revenue	-	-	14,975	-	-	-	-	-	14,975	-
Cost of sales	-	-	(13,008)	(34)	-	-	-	-	(13,008)	(34)
Other income	2,416	13	-	-	-	-	-	-	2,416	13
Other expenses from ordinary activities	(5,453)	(3,321)	(432)	57	(92)	(29)	(25)	-	(6,002)	(3,293)
Impairment reversal	-	-	-	75,691	-	-	-	-	-	75,691
Finance income	88	15	28	-	-	-	-	-	116	15
Finance costs	(5,494)	(2,038)	-	(1)	19	(2)	(6)	(1)	(5,481)	(2,042)
Reportable segment profit (loss) before income tax	(8,443)	(5,331)	1,563	75,713	(73)	(31)	(31)	(1)	(6,984)	70,350

GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

	Corporate		Australia		Argentina		Canada		Total	
	30 June 2017 \$'000	30 Dec 2016 \$'000								
Reportable segment interest bearing liabilities	12,663	40,242	-	-	-	-	-	-	12,663	40,242
Other reportable liabilities	6,493	7,068	22,720	29,432	120	56	5,942	4,500	35,275	41,056
Reportable segment assets	66,321	66,541	354,825	360,437	115,752	115,893	4,987	2,087	541,885	544,958
Additions to non-current segment assets during the period	629	126	4,910	290,304	2,149	1,057	2,587	108	10,275	291,595

c) Reconciliations of reportable segment profit or loss, assets and liabilities and other material items

Inter-segment revenue for the six months ended 30 June 2017 is \$Nil (six months ended 30 June 2016: \$Nil).

The reconciliation between reportable segment assets and liabilities and the Group's consolidated total assets and liabilities as at the end of the period is as follows:

	30 June 2017 \$'000	31 December 2016 \$'000
Assets		
Total assets for reportable segments	541,885	544,958
Unallocated:		
Cash and cash equivalents	40,362	9,327
Consolidated total assets	582,247	554,285
Liabilities		
Total liabilities for reportable segments	47,938	81,298
Consolidated total liabilities	47,938	81,298

GALAXY RESOURCES LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE HALF-YEAR ENDED 30 JUNE 2017

4. PROPERTY, PLANT AND EQUIPMENT

	Land \$'000	Plant & Equipment \$'000	Mine development expenditure \$'000	Total \$'000
Cost				
Balance at 1 January 2016	1,412	127,552	17,708	146,671
Additions	-	28,744	-	28,744
Disposals	-	(63,364)	(8,854)	(72,218)
Foreign exchange movement	-	(66)	-	(66)
GMM Acquisition	-	35,564	222,523	258,087
Balance at 31 December 2016	1,412	128,430	231,377	361,219
Additions	-	4,237	593	4,830
Foreign exchange movement	-	(72)	-	(72)
Balance at 30 June 2017	1,412	132,595	231,970	365,977
Accumulated Depreciation				
Balance at 1 January 2016	-	127,279	17,708	144,986
Depreciation	-	88	-	88
Impairment reversal	-	(64,070)	(11,621)	(75,691)
Disposals	-	(45,910)	(5,689)	(51,599)
Foreign exchange movement	-	(34)	-	(34)
Balance at 31 December 2016	-	17,353	398	17,751
Depreciation	-	6,897	4,284	11,181
Foreign exchange movement	-	(19)	-	(19)
Balance at 30 June 2017	-	24,231	4,682	28,913
Net book value				
At 31 December 2016	1,412	111,077	230,979	343,468
At 30 June 2017	1,412	108,364	227,288	337,064

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GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

5. INTEREST BEARING LIABILITIES

	30 June 2017 \$'000	31 December 2016 \$'000
Current		
Secured loan facility	13,011	44,698
Capitalised finance costs	(348)	(4,456)
	<u>12,663</u>	<u>40,242</u>

BNP Paribas – Secured Loan

In February 2017, Galaxy entered into an agreement with BNP Paribas for a new secured debt facility for up to US\$40 million, with the principal purpose of repaying in full the outstanding balance due to OL Master (Singapore) Pte (“OCP”) and for general corporate requirements.

The key terms of this facility were:

- Facility A – US\$10 million Term loan, maturing 31 January 2018
- Facility B – US\$15 million Bridge loan, repayable on or before 30 June 2017
- Facility C – US\$15 million Revolving loan, maturing 31 January 2018 - yearly extensions of 12 months subject to renewal conditions

After the Company completed the equity capital fundraising of A\$61 million only tranches A and C of the BNP Paribas facility were executed, resulting in a total US\$25 million facility. As at 30 June 2017, only US\$10 million has been drawn. The secured loan facility is recognised and measured at amortised cost.

OCP – Secured Loan

The OCP facility was repaid in full in February 2017

6. EQUITY

a) Contributed equity

(i) Share capital

	30 June 2017 Shares	31 December 2016 Shares	30 June 2017 \$'000	31 December 2016 \$'000
Fully paid ordinary shares	395,140,027	1,832,545,826	768,450	694,332

(ii) Movement in ordinary share capital

	Number of shares	\$'000
Balance 1 January 2016	1,264,433,185	459,218
Employee share issues	11,353,259	288
Loan conversion	37,000,000	2,354
Facility fee	515,456,257	230,902
Payments to contractors / suppliers	4,303,125	1,589
Transaction costs	-	(19)
Balance at 31 December 2016	<u>1,832,545,826</u>	<u>694,332</u>
Placement	113,000,000	61,020
Exercise of warrants	25,000,000	13,065
Shares issued in lieu of services – non-cash	5,146,528	2,573
Share transaction costs	-	(2,540)
Share consolidation 5 for 1 – approved at AGM on 18 May 2017	(1,580,552,327)	-
Balance at 30 June 2017	<u>395,140,027</u>	<u>768,450</u>

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GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

(iii) Unlisted Options on issue

A total of 17,100,000 unlisted options were issued during the half-year. Refer to notes 6 c)(i) and (ii) for further details.

At 30 June 2017, Galaxy had the following unlisted options and warrants on issue:

Grant date	Options outstanding	Vesting conditions	Non-vesting conditions	Contractual life of option	Exercise price
08/08/2016	2,475,000	Fully vested	None	Expire 21 September 2017	\$0.24
08/08/2016	2,475,000	Fully vested	None	Expire 21 September 2018	\$0.365
07/10/2016	2,000,000	Fully vested	None	Expire 24 November 2018	\$2.075
28/10/2016	3,000,000	Fully vested	None	Expire 31 October 2019	\$1.718
18/05/2017	9,500,000	See table below	None	14 June 2020	\$2.78
30/05/2017	6,600,000	See table below	None	14 June 2020	\$2.78
Total	26,050,000				

Tranche	%	Vesting Condition
A	25	Upon the Company achieving a closing Share price on the ASX of at least \$3.15 (on a post Consolidation basis) for 30 consecutive trading days
B	20	Upon the Company's Mt Cattlin project achieving 160,000 metric tonnes per annum equivalent production of lithium concentrate for 3 consecutive months
C	20	Upon the Company achieving earnings before interest, tax, depreciation and amortisation (EBITDA) of at least \$50 million over a trailing 12 month period commencing 1 June 2017
D	15	Upon the Directors of the Company making a decision to develop either of the Company's Sal de Vida Project or James Bay Project
E	10	14 June 2018 being 12 months continuous employment or service from date Option is granted
F	10	14 June 2019 being 24 months continuous employment or service from date Option is granted

(iv) Share Appreciation Rights ("SARs") on issue

A total of 1,000,000 SARs were issued during the half-year. Refer to note 6 c)(iii) for further details.

At 30 June 2017, Galaxy had the following SARs on issue:

Grant date	SARs outstanding	Vesting conditions	Expiry Date
19/06/2015	4,365,000	Various	5-7 years
10/11/2016	200,000	Various	1-2 years
9/11/2016	200,000	Continuous employment at 16 November 2017	16/11/2022
9/11/2016	200,000	Continuous employment at 16 November 2018	16/11/2023
11/04/2017	100,000	Continuous employment at 2 April 2018	2/04/2023
11/04/2017	100,000	Continuous employment at 2 April 2019	2/04/2024
12/04/2017	100,000	Mt Cattlin production 210tph for continuous 3 months prior to 4 April 2018	4/04/2023
12/04/2017	100,000	Continuous employment at 4 April 2019	4/04/2024
14/06/2017	200,000	14 September 2017	14/09/2022
Total	5,565,000		

GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

b) Reserves

The following table shows the movements in reserves during the year. A description of the nature and purpose of each reserve is provided below the table.

	Equity-settled payments reserve	Foreign currency translation reserve	Fair value reserve	Capital reserve	Total reserves
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2016	8,485	(16,577)	1,460	-	(6,632)
Foreign currency translation differences	-	(3,331)	-	-	(3,331)
Revaluation of available for sale financial assets	-	-	3,235	-	3,235
Total comprehensive loss	-	(3,331)	3,235	-	(96)
Transactions with owners in their capacity as owners:					
Transfer of reserve upon exercise of options	(402)	-	-	-	(402)
Transfer of reserve upon forfeit of options	(2,304)	-	-	-	(2,304)
Gain on acquisition of non-controlling interest	-	-	-	3,958	3,958
Balance at 30 June 2016	5,779	(19,908)	4,695	3,958	(5,476)
Balance at 1 January 2017	19,569	(20,412)	-	5,012	4,169
Foreign currency translation differences	-	(2,333)	-	-	(2,333)
Total comprehensive loss	-	(2,333)	-	-	(2,333)
Transactions with owners in their capacity as owners:					
Transfer of reserve upon exercise of options	(4,475)	-	-	-	(4,475)
Transfer of reserve upon forfeit of options	(966)	-	-	-	(966)
Share-based payment transactions	494	-	-	-	494
Balance at 30 June 2017	14,622	(22,745)	-	5,012	(3,111)

c) Share Based Payments

Set out below is a summary of unlisted options and SAR's issued during the half-year ended 30 June 2017:

(i) Unlisted Options issued to Directors

During the half-year to 30 June 2017, Galaxy issued 9,500,000 unlisted options to Directors pursuant to shareholder approval at the AGM held on 18 May 2017. Full details of the issue to Directors is contained in the notice of meeting distributed to shareholders for the AGM.

GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

The vesting conditions are set out below:

Tranche	%	Vesting Condition
A	25	Upon the Company achieving a closing Share price on the ASX of at least \$3.15 (on a post Consolidation basis) for 30 consecutive trading days
B	20	Upon the Company's Mt Cattlin project achieving 160,000 metric tonnes per annum equivalent production of lithium concentrate for 3 consecutive months
C	20	Upon the Company achieving earnings before interest, tax, depreciation and amortization (EBITDA) of at least \$50 million over a trailing 12 month period commencing 1 June 2017
D	15	Upon the Directors of the Company making a decision to develop either of the Company's Sal de Vida Project or James Bay Project
E	10	14 June 2018 being 12 months continuous employment or service from date Option is granted
F	10	14 June 2019 being 24 months continuous employment or service from date Option is granted

The unlisted options granted to Directors have been valued at \$8,491,000 and will be expensed to the profit or loss over the period that the Directors unconditionally become entitled to exercise the options. The valuation was calculated using a Monte Carlo model for Tranche A and a Black Scholes model for Tranches B-F with the following assumptions:

Dividend yield	%	-
Expected volatility	%	75
Risk free interest rate	%	1.76
Expected life of options	Years	3.08
Option exercise price	\$	2.780
Share price at grant date	\$	2.175

(ii) Unlisted Options issued to Employees

During the half-year to 30 June 2017, Galaxy issued 6,600,000 unlisted options to employees pursuant to the terms of the Employee Option Plan approved by shareholders at the AGM held on 18 May 2017. Full details of the Employee Option Plan are contained in the notice of meeting distributed to shareholders for the AGM.

The vesting conditions are the same as the vesting conditions of unlisted options issued to Directors set out above.

The unlisted options granted to employees have been valued at \$6,684,000 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to exercise the options. The valuation was calculated using a Monte Carlo model for Tranche A and a Black Scholes model for Tranches B-F with the same assumptions used for valuing the options issued to Directors above.

(iii) SARs issued to Employees

During the half-year to 30 June 2017, Galaxy issued 1,000,000 (Post consolidation) SAR's to employees pursuant to the Galaxy Resources Limited Long Term Incentive Plan ("LTIP") approved by shareholders at the AGM held on 29 May 2015.

The SARs granted to employees have been valued at \$1,177,000 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to the SARs. The valuation was calculated using a Black Scholes model with the following assumptions:

Dividend yield	%	-
Expected volatility	%	75
Risk free interest rate	%	1.97 - 2.17
Expected life of SARs	Years	5.25 - 7.02
SARs conversion price	\$	1.765 - 2.475
Share price at grant date	\$	1.50 - 2.20

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GALAXY RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

7. COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Mining tenements

In order to maintain current rights of tenure to mining tenements, the Group will be required to perform minimum exploration work to meet the minimum expenditure requirements. This expenditure will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities.

The estimated exploration expenditure commitment for the ensuing years, but not recognised as a liability in the statement of financial position is as follows:

	30 June 2017 \$'000	31 December 2016 \$'000
Within one year	6,611	300
More than one year but less than five years	17,116	294
	23,727	594

b) Non-cancellable operating leases

	30 June 2017 \$'000	31 December 2016 \$'000
Within one year	261	171
More than one year but less than five years	820	34
	1,081	205

The Group is the lessee in respect of some properties and items of plant and machinery and office equipment held under operating leases. The leases typically run for an initial period of 3 years, with an option to renew the lease when all terms are terminated. None of the leases includes contingent rentals.

c) Contingent assets and liabilities

The Group had no material contingent liabilities or contingent assets at 30 June 2017 (31 December 2016: Disputed items with Sichuan Tianqi Lithium Industries, refer 2016 Annual report for details) or at the date of this report. The Group occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial performance.

8. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the half-year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- On 2 August 2017 and on 10 August 2017, the Company announced further drilling results at James Bay with additional significant mineralisation identified.

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GALAXY RESOURCES LIMITED

DIRECTORS' DECLARATION

In the Directors' opinion:

- (a) the half-year financial statements and notes set out on pages 1 to 21 are in accordance with the *Corporations Act 2001* including:
 - i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Anthony Tse
Chief Executive Officer &
Managing Director

Dated in Perth on this 29th day of August 2017.

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Independent auditor's review report to the shareholders of Galaxy Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Galaxy Resources Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of changes in equity, consolidated statement of cash flows and consolidated statement of profit or loss and other comprehensive income for the half-year ended on that date, selected explanatory notes and the directors' declaration for Galaxy Resources Group (the consolidated entity). The consolidated entity comprises the Company and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Galaxy Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent auditor's review report to the shareholders of Galaxy Resources Limited (continued)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Galaxy Resources Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in blue ink that reads 'Nick Henry'.

Nick Henry
Partner

Perth
29 August 2017